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FINANCIAL OFFICER



Ineffective Implementation of OMB Internal Controls and Other Deficiencies Put the Transit Subsidy Program at Risk for Abuse

Date Issued: March 31, 2009
Report Number: 02-09-202-13-001

BRIEFLY...

Highlights of Report Number: 02-09-202-13-001, Ineffective Implementation of OMB Internal Controls and Other Deficiencies Put the Transit Subsidy Program at Risk for Abuse, Office of the Chief Financial Officer

WHY READ THE REPORT

Executive Order 13150 of April 21, 2000, established the Federal Workforce Transportation program to reduce Federal employees' contribution to traffic congestion and air pollution, and to expand their use of public transportation. Each Federal agency is permitted to provide a non-taxable transit subsidy designed to encourage its employees to use mass transit for their daily commute.

The Government Accountability Office reported numerous instances of fraud and abuse of the Federal Workforce Transportation program by Federal employees. To prevent further abuse, the Office of Management and Budget (OMB) issued a memorandum on May 14, 2007, listing 10 minimum internal controls and required all Federal agencies to confirm, no later than June 30, 2007, that they have implemented these controls. On June 22, 2007, the Department of Labor (DOL) affirmed to OMB its compliance with the 10 minimum required internal controls specified to prevent abuse and improve the administration of the program.

WHY OIG DID THE AUDIT

The audit objective was to determine if the internal controls prescribed by OMB were properly implemented for the National Capital Region (National) transit subsidy program.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/publicreports/oa/2009/02-09-202-13-001.pdf>.

March 2009

WHAT OIG FOUND

The Office of the Assistant Secretary for Administration and Management (OASAM) did not effectively implement 6 of the 10 minimum required internal controls prescribed by OMB to prevent abuse and improve the administration of the transit subsidy program. These controls were not implemented because OASAM considered controls as not required or cost effective; manager's or supervisor's responsibilities were not defined on applications; and a manual data verification process was used. Furthermore, of the 183 applications statistically selected for review, 24 were missing because applications were haphazardly filed. As a result, a minimum of nine percent of transit subsidies were not properly calculated, and employees may not have been eligible for transit benefits.

Additional control deficiencies put the National transit subsidy program at risk for abuse. These deficiencies were caused by management not: enforcing the suspension of transit benefits; recertifying applications annually; performing automated edit checks to prevent overpayments; or having a policy to control blank SmarTrip cards. As a result, benefits may have been paid to non-DOL employees; applications were not submitted annually; employees may have received more than the maximum transit subsidy allowed; and SmarTrip cards were not accounted for.

WHAT OIG RECOMMENDED

We made nine recommendations to the Acting Chief Financial Officer to improve management controls over the National transit subsidy program.

The Acting CFO generally agreed with the findings and has taken actions or plans to take actions to address the findings and recommendations to ensure compliance with the prescribed OMB internal controls and improve other controls over the National transit subsidy program.

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U.S. Department of Labor

Office of Inspector General
Washington, DC 20210



March 31, 2009

Assistant Inspector General's Report

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Executive Order 13150 of April 21, 2000, established the Federal Workforce Transportation program to reduce Federal employees' contribution to traffic congestion and air pollution, and to expand their use of public transportation. Each Federal agency is permitted to provide a non-taxable transit subsidy designed to encourage its employees to use mass transit for their daily commute.

In April 2007, the Government Accountability Office (GAO) issued a report citing numerous instances of fraud and abuse of the Federal Workforce Transportation program by Federal employees. To prevent further abuse, the Office of Management and Budget (OMB) issued a memorandum on May 14, 2007, listing 10 minimum internal controls and requiring all Federal agencies to confirm, no later than June 30, 2007, that they had implemented these controls.

The audit objective was to determine if the internal controls prescribed by OMB were properly implemented for the National transit subsidy program.

We reviewed available transit subsidy records for January 2008 through July 2008, during which DOL distributed \$1.5 million in transit subsidy benefits. The Bureau of Labor Statistics (BLS) was excluded from this audit. During the audit, the responsibility for administering the U.S. Department of Labor (DOL) National Capital Region's (National) transit subsidy program was transferred from the Office of the Assistant Secretary for Administration and Management (OASAM) to the Office of the Chief Financial Officer (OCFO). The Acting Chief Financial Officer (Acting CFO) responded to the draft audit report on March 30, 2009.

We statistically selected 183 transit subsidy applications from May 2008 to audit transit benefits paid to DOL National employees and verify implementation of OMB-prescribed internal controls.

We incorporated the 10 minimum transit subsidy internal controls listed in OMB's May 14, 2007, memorandum into our audit. We evaluated OASAM internal controls pertaining to the transit subsidy program, reviewed OASAM's policies and procedures, interviewed staff, and conducted tests of data accuracy.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Our objective, scope, methodology, and criteria are detailed in Appendix B.

RESULTS IN BRIEF

On June 22, 2007, DOL affirmed to OMB its compliance with the 10 minimum required internal controls specified to prevent abuse and improve the administration of the transit subsidy program. However, our audit revealed that key controls were not effectively implemented. Furthermore, of the 183 applications statistically selected for review, 24 were missing because applications were haphazardly filed.

OASAM did not effectively implement the following six key OMB controls:

- **Benefits Adjusted Due to Travel, Leave, or Change of Address** – OASAM did not adjust benefits for any of the employees due to travel, leave or change of address. An OASAM official stated that it was not cost effective to make such monthly adjustments. Additionally, if an employee changes his or her address, it is the employee's responsibility to inform OASAM.
- **Applicants Checked Against Parking Benefits Records** - OASAM had no documentation to support that transit subsidy applicants were compared to employees that received parking permits. We found that 27 employees were on both the transit subsidy and parking permit lists. Moreover, DOL had three conflicting criteria regarding vanpool members' eligibility for transit subsidy.
- **Commuting Cost Breakdown** – None of the 159 applications available for review contained commuting cost breakdowns.
- **Commuting Cost Verified by Approving Official** - Approving OASAM official signatures to indicate verification of the applicants' commuting costs were missing on 106, or 67 percent, of the 159 applications available for review.

- Eligibility Verified by Approving Official – Employees’ supervisor signatures indicating verification of the applicants’ eligibility were missing on 14, or 9 percent, of the 159 applications available for review.
- Removal from Transit Benefits Program Included in Exit Procedures - OASAM did not always adhere to its policy of obtaining employee separation clearance forms and removing employees listed as separated from the Smart Benefit data base. Of the 183 sampled employees, four had been separated from DOL but were still in the May 2008 Smart Benefit database.

OASAM did not effectively implement the majority of OMB internal controls for the following reasons: the controls were considered to be not required or not cost effective; manager’s or supervisor’s responsibilities were not defined on applications; or a manual data verification process was used.

We also identified four additional control deficiencies that put the National transit subsidy program at risk for abuse: employees did not register their SmarTrip cards; employees did not submit applications annually; OASAM did not perform automated edit checks to prevent overpayments; and OASAM did not account for blank SmarTrip cards. These deficiencies were caused by management not: enforcing the suspension of transit benefits; recertifying applications annually; performing automated edit checks to prevent overpayments; or having a policy to control blank SmarTrip cards. As a result of internal controls not being effectively implemented, the transit subsidy program was at risk for abuse.

In response to the draft report, the Acting CFO generally agreed with the findings and has taken actions or plans to take actions to address the findings and recommendations to ensure compliance with the prescribed OMB internal controls and to improve other internal controls over the National transit subsidy program. The Acting CFO’s response is included in its entirety as Appendix D.

RESULTS AND FINDINGS

Objective – Were the internal controls prescribed by OMB properly implemented for the National transit subsidy program?

OASAM did not effectively implement 6 of the 10 minimum required internal controls prescribed by OMB to prevent abuse and improve the administration of the transit subsidy program. Moreover, we identified four additional internal control deficiencies that put the National transit subsidy program at risk for abuse.

Finding #1 – DOL did not implement key OMB internal controls.

On June 22, 2007, DOL affirmed to OMB its compliance with the 10 minimum required internal controls specified to prevent abuse and improve the administration of the program. However, our audit revealed that OASAM did not effectively implement 6 of these key controls. These controls were not implemented because OASAM considered controls as not required or cost effective; manager's or supervisor's responsibilities were not defined on applications; or a manual data verification process was used. Furthermore, of the 183 applications statistically selected for review, 24 were missing because applications were haphazardly filed. Many applications were difficult to locate because they were not filed in any specific order or locations. As a result of internal controls not being effectively implemented, a minimum of nine percent of transit subsidies were not properly calculated, and employees may not have been eligible for transit benefits.

- A. Benefits Adjusted Due to Travel, Leave, or Change of Address – OASAM did not adjust transit subsidy benefits for any of the transit benefit employees due to travel, leave or change of address. An OASAM official stated that benefits were not adjusted on a monthly basis because it was not cost effective. However, OASAM did not perform a cost-benefit analysis to determine the cost and feasibility of implementing such a system. Furthermore, if an employee changes his or her address, it is the employee's responsibility to inform OASAM.

The Acting CFO agreed to perform a formal cost benefit analysis to determine if the cost of implementing this internal control requirement for the National transit subsidy program is cost effective.

- B. Applicants Checked Against Parking Benefits Records – OASAM had no documentation to support that transit subsidy applicants were compared to employees that received parking permits. We found 27 employees that were on both the transit subsidy and parking permit lists, 13 of whom collected \$1,310 in transit subsidies in May 2008 while they also used parking permits. OASAM had inadequate controls in place to check transit subsidy applicants against parking benefit records to prevent employees from receiving both benefits.

Moreover, DOL had three conflicting criteria regarding vanpool members' eligibility for transit subsidies. While the U.S. Department of Labor Manual Series (DLMS), OASAM's Office of Financial Management Operations (OFMO) National Office Transit Subsidy Procedures, and DOL Policy Guidance for Transit Subsidy Benefits Program, clearly stated that members of a carpool were not eligible for transit subsidies, the procedures were in conflict regarding transit subsidy eligibility for members of a vanpool. Depending on which procedure was applied, anywhere from 9 to 13 employees (8 carpool members, 1 individual, and potentially 4 vanpool members) improperly collected transit subsidies.

DLMS 2-528 (O), Governing Rules, under DOL parking policy, dated May 7, 2004, states:

Transportation Subsidies designed to promote mass transit (bus and rail) shall not be available to DOL parking permit or authorization holders, nor shall transportation subsidies be available to any of the members of a car or vanpool.

OFMO National Office Transit Subsidy Procedures states:

The following persons are **NOT** eligible to receive the DOL transit subsidy ... Persons who receive any other form of transportation subsidy, such as subsidized parking or as a member of a carpool...

Riders in WMATA-approved vanpools are eligible to receive a transit subsidy. The vanpool driver does **NOT** receive a transit subsidy but does receive a discount on the parking fees charged for DOL parking spaces....

DOL Policy Guidance for Transit Subsidy Benefits Program, under Eligibility, states:

Drivers, alternate drivers, and passengers of qualified vanpools receiving a free Federal parking benefit are eligible for transit subsidy benefits. (Underscoring added.)

If the current OFMO National Office Transit Subsidy Procedures were applied, three of the four employees (all but the driver) in a vanpool would have been eligible to collect transit subsidies. The driver would have been excluded. If DLMS 2-528 were applied, none of the four vanpool members would have been eligible to receive transit subsidy. In contrast, if the DOL Policy Guidance for Transit Subsidy Benefits Program was applied, all four vanpool members would have been eligible for transit subsidy.

The Acting CFO agreed there was no documentation to support that transit subsidy participants were compared to the DOL parking garage permits list to ensure participants were not receiving both benefits, and contacted the OASAM Business Operation Center (BOC) to obtain monthly updates to the DOL parking list to compare them to the transit database. The Acting CFO also agreed that DOL has conflicting policy criteria regarding vanpool member eligibility for transit subsidies and has contacted the OASAM BOC to coordinate and update the guidance related to transit eligibility requirements for vanpool drivers and passengers to ensure consistency of operations.

- C. Commuting Cost Breakdown - There were no detailed commuting cost calculations on any of the 159 available applications. The applications required the mode of transportation and the starting point. Although required by OMB, OASAM officials believed there was no requirement to include commuting cost breakdowns on the applications. As a result, OASAM could not demonstrate the basis of the calculations and if transit subsidies claimed were proper.

The Acting CFO agreed that detailed commuting cost calculations were not included on the transit applications reviewed. In March 2009, OCFO created and implemented an updated transit subsidy benefit application form and transit cost worksheet incorporating the internal control requirements outlined in the May 14, 2007, OMB memorandum. The new process entails a signature of the transit staff member performing the calculation based on the worksheet assessment.

- D. Commuting Cost Verified by Approving Official - Approving OASAM official signatures to indicate verification of the applicants' commuting costs were missing on 106, or 67 percent, of the 159 available applications. We calculated the benefit amount for each employee in the sample and found 17, or 11 percent, of employees received transit benefits that exceeded the amount to which they were entitled. Many of these employees were on a flexi-place work schedule and worked from home at least one day per week, but their transit subsidy was not pro-rated to reflect the actual number of days the employees commuted to work.

OASAM officials stated they used Washington Metropolitan Area Transit Authority's (WMATA) electronic Trip Planner to calculate the transit fare, and the transit subsidy amounts on the applications were written by OASAM staff, but the need for the approving official's signature was overlooked. However, none of the applications contained documentation to demonstrate that OASAM staff used the WMATA Trip Planner to verify transit subsidy calculations, and the majority of the applications did not include an OASAM official's signature indicating the commuting cost was verified.

The Acting CFO agreed that approving official signatures were missing on the majority of the transit applications reviewed. Per DOL Transit Policy Guidance, an OCFO transit official is required to sign all transit applications after verifying and annotating the allowable transit subsidy benefit amount on the transit application form. OCFO transit employees have been instructed to sign all transit subsidy benefit application forms prior to issuing employees transit subsidy benefits.

- E. Eligibility Verified by Approving Official – Employees' supervisory signatures indicating verification of the applicants' eligibility were missing on 14, or 9

percent, of the available applications. Of the 14 applications without approval, 12 were old applications that did not contain a signature block for eligibility verification by an approving official. These old applications, which should have been updated, did not require employees to fill out if they were full-time, part-time or on Flexiplace. As a result, employees may not have been eligible for the transit subsidy benefits they received. (Refer to Finding #2B – *Employees did not submit applications annually*, for additional information regarding annual recertification of transit subsidies.)

Moreover, the approving officials' responsibilities were not defined on the transit subsidy applications. Although their responsibilities were delineated in DOL guidance, they should also be included on the application to remind officials that they are responsible to verify: employee address is correct; amount is accurate; application is complete; and the employee is eligible to receive transit benefits.

DOL Policy Guidance for Transit Subsidy Benefits Program states:

Managers/supervisors will: . . . Review, approve and sign employee application for Public Transportation Benefit. (Verify employee address is correct, amount is accurate, application is complete and employ is eligible to receive transit benefits.)

The Acting CFO agreed that supervisor signatures were missing on some of the transit application forms and that some of the older transit subsidy benefit application forms did not include a field for the employee to annotate their work schedule. In August 2008, OCFO implemented an annual reapplication program for all eligible transit subsidy recipients. The new form includes fields for employees to indicate their work schedule. Approving official responsibilities are outlined in the DOL transit policy guide, which will be updated with new approving official responsibilities for approving employee eligibility for the DOL transit subsidy program.

- F. Removal from Transit Benefits Program Included in Exit Procedures – OASAM requires employees that separate from DOL to complete and submit the Separation Clearance form DL 1-107 to OASAM but this process was not consistently followed. Of the 183 sampled employees, four had been separated from DOL but were still in the May 2008 Smart Benefit database. While these employees did not collect transit subsidies, the risk is high that separated employees could collect subsidies to which they are not entitled.

The Acting CFO did not agree with this finding. The OCFO implemented exit procedures that updated the DOL Separation Clearance form DL1-107 to include the clearing of National office prior to separating or retiring from the DOL. OCFO

prepared and distributed an email notification to all DOL National office HR and administrative officers outlining DOL Personnel Regulation 179, which includes the separation clearance requirements. The DOL separation clearance program falls under the responsibilities of DOL's human resource offices and not OCFO. Also in March 2009, OCFO redistributed a reminder to the Department's Administrative Officers and Agency Financial Managers of the process to be followed for the Separation Clearance forms, which includes the Transit review.

While OCFO may not have ultimate responsibility to ensure DOL's human resource offices complete and submit required forms, we believe it needs to work with Department officials to reduce the risk that employees separating from DOL could collect subsidies to which they are not entitled.

Finding #2 – DOL had additional internal control deficiencies.

In the course of our audit, we also identified four additional control deficiencies that put the National transit subsidy program at risk for abuse: Employees did not register their SmarTrip cards; employees did not submit applications annually; OASAM did not perform automated edit checks to prevent overpayments; and OASAM did not account for blank SmarTrip cards. These deficiencies were caused by management not: enforcing the suspension of transit benefits; recertifying applications annually; performing automated edit checks to prevent overpayments; or having a policy to control blank SmarTrip cards. As a result of internal controls not being effectively implemented, the transit subsidy program was at risk for abuse.

A. Employees did not register their SmarTrip cards.

The SmarTrip online registration process required employees to provide their name, address, email address, contact number, and password. The advantage of creating the account is that if the card is lost, damaged, or stolen, WMATA can transfer the unused value from that card onto another card. OASAM also needed this information to identify the name of the cardholder, verify the subsidy amount, and determine whether the individual was a DOL employee.

OFMO National Office Transit Subsidy Procedures state:

DOL employees who do not register their SmarTrip card with WMATA within 30 days of being registered in the Smart Benefits database will have their benefits suspended until they register their SmarTrip card with WMATA.

In May 2008, 80, or 4 percent, of the 1,898 SmarTrip transactions totaling \$6,000 were charged to unregistered SmarTrip cards. However, OASAM did not enforce the provision to suspend benefits on those unregistered cards. As a result, OASAM

permitted charges to unregistered SmarTrip cards, and the correct benefit amount could not be determined.

The Acting CFO agreed that a number of DOL National office employees did not register their SmarTrip card through WMATA. Due to a lack of formal union negotiations on this policy requirement, OCFO was unable to implement the policy of removing employees from the transit benefit program. In March 2009, OCFO implemented a new policy to require employees to register their SmarTrip card with WMATA prior to any action being taken in the DOL Smart Benefits database. OCFO transit points of contact have been instructed to verify that each employee's SmarTrip card is registered with WMATA before taking any action to add or update an employee's information in the DOL Smart Benefits database.

B. Employees did not submit applications annually.

Of the 159 available applications, 64, or 40 percent, were dated 2006 or prior. Many of these outdated applications were in a format that did not include a requirement for employees to designate if they were full-time, part-time or on Flexiplace. Without this information, it is unclear how OASAM could properly determine the employee's transit subsidy amount or why OASAM did not enforce its requirement for employees to reapply for transit subsidy benefits annually. According to an OASAM official, they are in the process of recertifying all transit benefit employees and the process is very time consuming.

OFMO National Office Transit Subsidy Procedures state:

Verification of Employee Eligibility and Participation Level Requirements

... Once a year, OFMO ensures that each DOL employee who is enrolled in the Transit Subsidy Program submits a new application form before receiving future benefits. The re-application process is part of DOL's ongoing efforts to strengthen internal controls related to the Transit Subsidy Benefit Program.

The Acting CFO agreed with this finding. In August 2008, OCFO implemented the annual transit subsidy reapplication program requiring all DOL National office employees to reapply for transit subsidy benefits. The DOL National office reapplication program is set up to operate throughout the year with one or multiple agencies requested to reapply for transit subsidy benefits each month. This reapplication program is ongoing with employees in eight DOL National office agencies having completed the reapplication process as of March 2009.

C. OASAM did not perform automated edit checks to prevent overpayments.

Our review of May 2008 transit subsidy transactions found 3 of the 159 employees reviewed received transit subsidy benefits greater than the maximum transit subsidy allowed. These employees either received benefits from multiple SmarTrip cards, or both SmarTrip cards and Farecards. In January 2008 the maximum transit subsidy at DOL was increased to \$110 per month for all eligible employees. OASAM did not perform automated edit checks to prevent overpayments. According to an OASAM official, the unwritten policy was for staff to manually verify that employees were not receiving more than the maximum transit subsidy as part of the month-end review process. However, this verification process was not documented.

- Employees with Multiple SmarTrip Cards - Twenty-three employees had multiple SmarTrip cards in the Smart Benefits database. Two of these employees received combined benefits from both cards over the \$110 limit.
- Employees Appearing on Both Smart Benefit and Farecard Listings - Twenty-two employees on the Smart Benefit Report were also on the Farecard Signature List. Three of these employees received benefits on both the SmarTrip card and Farecard. One of the three employees claimed a combined transit subsidy above the \$110 limit.

The Acting CFO did not agree with this finding, stating that the Smart Benefits program software is owned by WMATA, not DOL; and she was not aware of any requirement to perform automated edit checks within the transit subsidy benefit program. Furthermore, preliminary research of this finding showed that a number of the names identified as duplicate employees were actually separate individuals with the same name. In the past, when adding a new card, OCFO had to manually remove the old card from the WMATA database. However, WMATA had one enhancement to its system since Smart Benefits' inception that OCFO has adopted. OCFO is now using the enhanced feature in the WMATA database to reassign a benefit from one card to another card in the system, which automatically removes the old card.

The OIG agrees that OCFO's action to use the WMATA enhancement to automatically reassign benefits from one card to another may prevent employees from receiving more than the maximum transit subsidy. However, OCFO needs to ensure it has taken appropriate action regarding the employees we identified in our audit as having multiple SmarTrip Cards or appearing on both the Smart Benefit and Farecard listing..

D. OASAM did not account for blank SmarTrip cards.

OASAM did not have accountability over blank SmarTrip cards. The blank SmarTrip cards were maintained in a locked overhead file cabinet. These SmarTrip cards were purchased through WMATA for \$5 per card. During our audit fieldwork, there were 1,095 blank SmarTrip cards with a total value of \$5,475.

GAO Standards for Internal Control in the Federal Government states:

An agency must establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment which might be vulnerable to risk of loss or unauthorized use. Such assets should be periodically counted and compared to control records. (Underscoring added.)

OASAM never performed an inventory of the SmarTrip cards. Employees who received the SmarTrip card issued by OASAM were required to write down the SmarTrip card number and to sign the Transit Subsidy System Signature List. According to an OASAM official, the initial goal was to distribute SmarTrip cards to employees as quickly as possible and emphasis was not placed on record keeping. The DOL SmarTrip program began January 2008 and the SmarTrip cards were never reconciled. Since SmarTrip cards can be used on the public transportation system or sold by anyone who possessed them, they needed to be periodically counted and compared to control records to prevent against abuse.

The Acting CFO did not agree with this finding. OCFO ordered 2,000 \$5 SmarTrip cards from WMATA in November 2007 and the accounting supervisor performed an inventory and count of the SmarTrip cards upon delivery to verify that 2,000 SmarTrip cards were received. Physical control of SmarTrip cards has been maintained in a secure environment in a locked cabinet in the supervisor's work area with limited access. However, the Acting CFO agreed to record existing SmarTrip card inventory by serial number on a spreadsheet and perform an annual inventory and card count.

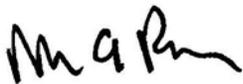
The OIG agrees with this approach. However, the annual inventory should be incorporated into written policy to ensure continued compliance with GAO Standards for Internal Control.

Recommendations

We recommend that the Chief Financial Officer:

1. Develop a system to adequately file and maintain transit subsidy applications.

2. Comply with OMB controls for Benefits Adjusted Due to Travel, Leave, or Change of Address and completing Commuting Cost Breakdown. If a control is believed not to be cost effective, a documented cost-benefit analysis should be provided.
3. Develop and implement a consistent policy of transit subsidy eligibility for vanpool members.
4. Ensure approving officials sign the application to indicate that they verified the applicant's commuting cost.
5. Define approving official's responsibilities on the application for employee eligibility verification.
6. Suspend transit subsidy benefits to employees who do not register their SmarTrip cards with WMATA.
7. Automate data verification processes to ensure only eligible employees receive transit subsidies, and that the amounts received do not exceed the maximum amount allowed by the program.
8. Require all employees enrolled in the transit subsidy program to submit a new application form annually before receiving future benefits.
9. Establish written policy ensuring blank SmarTrip cards are periodically counted and compared to control records.



Michael A. Raponi

Exhibit

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EXHIBIT

**IMPLEMENTATION OF
OMB PRESCRIBED INTERNAL CONTROLS**

OMB Prescribed Internal Controls	Effectively Implemented	Report Finding
Application Requirements		
1. Employee Home Address	Yes	-
2. Employee Work Address	Yes	-
3. Commuting Cost Breakdown	No	1C
4. Employee Certification of Eligibility	Yes	-
5. Warning Against Making False Statements in Benefit Application	Yes	-
Independent Verification of Eligibility		
6. Commuting Cost Verified by Approving Official	No	1D
7. Eligibility Verified by Approving Official	No	1E
Implementation		
8. Applicants Checked Against Parking Benefits Records	No	1B
9. Benefits Adjusted Due to Travel, Leave, or Change of Address	No	1A
10. Removal from Transit Benefits Program Included in Exit Procedures	No	1F

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Appendices

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APPENDIX A

Background

Executive Order 13150 of April 21, 2000, established the Federal Workforce Transportation program to reduce Federal employees' contribution to traffic congestion and air pollution, and to expand their use of public transportation. Each Federal agency is permitted to provide a non-taxable transit subsidy designed to encourage its employees to use mass transit for their daily commute. During the audit, the responsibility for administering the DOL National transit subsidy program was transferred from OASAM to OCFO.

April 24, 2007, GAO report "Federal Transit Benefits Program Ineffective Controls Result in Fraud and Abuse by Federal Workers" illustrated numerous instances of fraud and abuse of the Federal Transit Benefit Program. In a response to this report, OMB issued memorandum dated May 14, 2007, to all heads of departments and agencies, requiring additional controls to prevent further abuse of this program. The letter specifically mentions 10 controls in the areas of: Application Requirements, Independent Verification of Eligibility, and Implementation as follows.

Application Requirements

1. Employee Home Address
2. Employee Work Address
3. Commuting Cost Breakdown
4. Employee Certification of Eligibility
5. Warning Against Making False Statements in Benefit Application

Independent Verification of Eligibility

6. Commuting Cost Verified by Approving Official
7. Eligibility Verified by Approving Official

Implementation

8. Applicants Checked Against Parking Benefits Records
9. Benefits Adjusted Due to Travel, Leave, or Change of Address
10. Removal from Transit Benefits Program Included in Exit Procedures

On June 22, 2007, DOL affirmed to OMB compliance with the 10 minimum required internal controls specified to prevent abuse and improve the administration of the program.

Transit subsidies at DOL Headquarters are disbursed either through Farecards or SmarTrip cards. Employees may use Farecards to ride Metrorail. Farecards come in denominations of \$30, \$20, \$10, \$5, or \$1 each. SmarTrip cards are permanent, rechargeable farecards. SmarTrip cards are usable on either bus or rail and must be used to pay for parking at Metrorail stations.

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APPENDIX B

Objective, Scope, Methodology, and Criteria

Objective

The audit objective was to determine if the internal controls prescribed by OMB were properly implemented for the National transit subsidy program.

Scope

We reviewed available transit subsidy records for January 2008 through July 2008, as well as participant applications, parking and personnel records for May 2008, during which DOL distributed transit subsidy benefits of \$1.5 million through the SmarTrip cards or Farecards. BLS was excluded from this audit because it separately operates the transit subsidy program for its employees. During the audit, the responsibility for administering the DOL National transit subsidy program was transferred from OASAM to OCFO.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In planning and performing our audit, we considered internal controls of OASAM's National transit subsidy program by obtaining an understanding of the program's internal controls, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of achieving our objective.

Our consideration of OASAM's internal controls would not necessarily disclose all matters that might have been significant deficiencies. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. Furthermore, the nature, timing and extent of audit procedures were determined by the significance of the information and the level of detail presented in our findings and conclusions in light of the audit objective.

Methodology

From a population of 2,227, 183 transit subsidy applications from May 2008 were statistically selected to verify compliance with OMB prescribed internal controls. Of the 183 applications, 68 were for Farecards and 115 were for SmarTrip cards. Applications were compared to personnel records, and the amounts of benefits were computed to

confirm that benefit received did not exceed the maximum amount allowed. Since audit results were sufficient to demonstrate that the Department did not comply with OMB internal controls, projection was not needed. For May 2008, we compared information on the Farecards and SmarTrips to ensure employees were not receiving more than the maximum allowable amount of \$110. We compared all employees that received transit subsidy benefits to those employees on the parking permit listing. For purpose of accountability verification, we performed a physical count of the Farecards and SmarTrip cards as of September 9, 2008, and September 10, 2008, respectively.

We used a stratified two-stage cluster sampling design for sample selection. DOL agencies were stratified separately into three different strata according to the number of participants in the programs. As shown in the following table, eight agencies for Farecard program and 10 agencies for SmarTrip program were randomly selected from these strata. Sample design and sample sizes were selected to yield a sampling precision of (+/-) 7 percent to (+/-) 9 percent) at 95 percent confidence level.

DOL Agency	Farecard	SmarTrip	Total
Administrative Review Board	-	9	9
Benefits Review Board	8	12	20
Bureau of International Labor Affairs	-	12	12
Employment and Training Administration	-	15	15
Employment Standards Administration	14	-	14
Occupational Safety and Health Administration	11	12	23
Office of Disability Employment Policy	7	-	7
Office of Inspector General	8	-	8
Office of Public Affairs	4	-	4
Office of the Assistant Secretary for Administration and Management	-	12	12
Office of the Chief Financial Officer	7	-	7
Office of the Secretary	-	12	12
Office of the Solicitor	9	12	21
Veterans' Employment & Training Service	-	11	11
Women's Bureau	-	8	8
Total	68	115	183

We conducted fieldwork for this performance audit at the Frances Perkins Building in Washington, D.C.

Criteria

OFMO National Office Transit Subsidy Procedures, Revised September 8, 2008

Executive Order 13150 of April 21, 2000; Federal Workforce Transportation

OMB Memorandum, Federal Transit Benefits Program, May 14, 2007

DLMS 2 – Chapter 520 DOL Parking Policy, May 7, 2004

United States General Accounting Office, Standards for Internal Control in the Federal Government, November 1999

Department of Labor Policy Guidance for Transit Subsidy Benefits Program, updated September 15, 2008

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APPENDIX C

Acronyms

BLS	Bureau of Labor Statistics
BOC	Business Operation Center
DLMS	U.S. Department of Labor Manual Series
DOL	U.S. Department of Labor
GAO	Government Accountability Office
National	National Capital Region
OASAM	Office of the Assistant Secretary for Administration and Management
OCFO	Office of the Chief Financial Officer
OFMO	Office of Financial Management Operations
OIG	Office of Inspector General
OMB	Office of Management and Budget
WMATA	Washington Metropolitan Area Transit Authority

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Agency Response to Draft Report

U.S. Department of Labor

Office of the Chief Financial Officer
Washington, D.C. 20210



MAR 30 2009

MEMORANDUM FOR ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM Lisa D. Fiely
Lisa D. Fiely
Deputy Chief Financial Officer

SUBJECT Response to Ineffective Implementation of OMB Internal
Controls and Other Deficiencies Put the Transit Subsidy
Program at Risk for Abuse
Draft Report No. 02-09-202-13-001

The Office of the Chief Financial Officer (OCFO) made substantial progress to strengthen the Transit internal controls in response to the OMB memorandum dated May 14, 2007. Attached we have provided our management response to the OIG Audit Report on "Ineffective Implementation of OMB Internal Controls and Other Deficiencies Put the Transit Subsidy Program at Risk for Abuse". The OCFO will continue to work to ensure that the controls which have been put in place are monitored for further enhancements where applicable.

Finding #1 –DOL did not implement key OMB internal controls.

A. Benefits Adjusted Due to Travel, Leave or Change of Address

Concur – The Office of the Chief Financial Officer (OCFO) did not perform a formal cost benefit analysis to determine the cost and feasibility of implementing an internal control program to adjust transit benefits due to employee travel, leave, or change of address. OCFO implemented policy guidance outlining the employees’ responsibility to inform the transit subsidy benefit coordinator when they travel, take leave or changed their address in order to adjust their monthly transit benefit accordingly, and OCFO adjusted benefits in a timely manner when notified.

Action - OCFO will perform a formal cost benefit analysis to determine if the cost of implementing this internal control requirement for the national office transit subsidy benefit program is cost effective.

B. Applicants Checked Against Parking Benefit Records

Concur - OCFO did not have documentation to support that transit subsidy participants were compared to the DOL parking garage permits list to ensure participants were not receiving both benefits. The transit subsidy database and the DOL parking permit database contain several thousand employee names each. Due to the size of these databases, the OCFO Transit Subsidy Benefit Coordinator performs a monthly random sample comparison of the parking permit list to the transit subsidy database to meet this internal control requirement. Despite this monthly sampling, some DOL employees appeared in both the transit subsidy benefit database and the DOL parking permit database.

Action - OCFO has re-contacted the OASAM Business Operation Center (BOC) to follow up on our request to obtain monthly updates to the DOL parking list to compare them to the transit database.

Concur – DOL has conflicting policy criteria regarding vanpool member eligibility for transit subsidies in the DLMS 2 and transit policy guide.

Action - OCFO has contacted the OASAM BOC to coordinate and update the DLMS 2 and OCFO will update the DOL policy guidance related to transit eligibility requirements for vanpool drivers and passengers to ensure consistency of operations throughout the DOL.

C. **Commuting Cost Breakdown**

Concur – Detailed commuting cost calculations were not included on the transit applications reviewed. However, 131 of the 159 applications reviewed by the OIG auditors were submitted before OMB’s May 14, 2007, memorandum that outlined internal control requirements was issued. The OCFO TSBC and designees used an electronic copy of the WMATA trip planner utility to calculate the cost of an employee’s commute and annotated the transit application forms with the actual cost based on the WMATA trip planner. A copy of the WMATA trip planner used by OCFO was provided to the OIG audit staff members for their review as part of the audit process. The WMATA trip planner was highlighted in the May 14, 2007, OMB memorandum as a valid tool for determining monthly commuting costs.

Action – In March 2009, OCFO created and implemented an updated transit subsidy benefit application form and transit cost worksheet incorporating the internal control requirements outlined in the May 14, 2007, OMB memorandum. OCFO will continue to use the electronic WMATA trip planner tool as a means of accurately computing an employee’s monthly commuting cost. The new process entails a signature of the transit staff member performing the calculation based on the worksheet assessment.

D. **Commuting Cost Verified by Approving Official**

Concur – Approving OCFO official signatures were missing on the majority of the transit applications reviewed by the OIG auditor. However 131 of the 159 transit applications reviewed by the OIG auditor were completed prior to the May 14, 2007, OMB memorandum outlining the internal control requirements that served as the basis for this audit. In many cases, the transit applications reviewed by the OIG auditors were between one and ten years old, which would explain the difference between the transit subsidy benefit amount annotated on the original transit application form and the current amount of transit subsidy the employee is receiving. The OMB memorandum identified the use of the WMATA trip planner as an example of a tool an employee’s could use to validate their monthly commuting cost on a transit subsidy application.

Action - OCFO took the extra step to download the electronic WMATA trip planner encompassing all Metro transit stops in the National Capital Region to assist DOL employees in accurately calculating their monthly transit costs. OCFO will continue to use the electronic WMATA trip planner as a tool to accurately compute transit subsidy benefits. Per DOL Transit Policy Guidance, an OCFO transit official is required to sign all transit applications after verifying and annotating the allowable transit subsidy benefit amount on the transit application form. OCFO transit employees have been instructed to sign all transit subsidy benefit application forms prior to issuing employees transit subsidy benefits.

E. **Eligibility Verified by Approving Official**

Concur – Employees’ supervisor signatures were missing on some of the transit application forms. Some of the older transit subsidy benefit application forms did not include a field for the employee to annotate their work schedule. Prior to the May 14, 2007, OMB memorandum, there was no requirement to include an employee’s work schedule on the transit subsidy benefit application, and 131 of the 159 transit subsidy benefit application forms reviewed by the OIG audit staff were completed prior to that date. Further, the OMB memorandum was the first formal documentation that included requirements for the type of information that should be incorporated on the transit subsidy benefit application form. The transit subsidy benefit application form used by OCFO when the OMB memorandum was issued included fields for employees to indicate their work schedule status.

Action - In August 2008, OCFO implemented an annual reapplication program for all eligible transit subsidy recipients. The new form includes fields for employees to indicate their work schedule. Approving official responsibilities are outlined in the DOL transit policy guide, which will be updated with new approving official responsibilities for approving employee eligibility for the DOL transit subsidy program.

F. **Removal from Transit Benefits Program included in Exit Procedures**

Non-Concur – OCFO implemented exit procedures as outlined in the May 14, 2007, OMB memorandum. OCFO updated the DOL Separation Clearance form DL1-107 to include the clearing of DOL national office employees through the Transit Subsidy Benefit Coordinator (TSBC) prior to separating or retiring from the DOL. The DOL transit policy guide also outlines employee responsibilities to clear through the TSBC prior to separating from DOL.

Action - OCFO prepared and distributed an email notification to all DOL national office HR and administrative officers outlining DOL Personnel Regulation (DPR) 179, which includes the separation clearance requirements. OIG audit staff should be aware that the DOL separation clearance program falls under the responsibilities of DOL’s human resource offices and not the OCFO TSBC. Also in March 2009, OCFO redistributed a reminder to the Department’s Administrative Officers and Agency Financial Managers of the process to be followed for the Separation Clearance forms, which includes the Transit review.

Finding #2 – DOL had additional internal control deficiencies.

A. Employees did not register their Smart Trip cards.

Concur – A number of DOL national office employees registered with the DOL Smart Benefits program did not register their SmarTrip card through WMATA as required by DOL policy. Due to lack of formal union negotiations on this policy requirement, OCFO was unable to implement the stated policy of removing employees from the transit benefit program who did not register their cards through WMATA within 30 days.

Action – In March 2009, OCFO - implemented a policy to require employees to register their SmarTrip card with WMATA prior to any action being taken in the DOL Smart Benefits database. OCFO transit points of contact have been instructed to verify that each employee’s SmarTrip card is registered with WMATA before taking any action to add or update an employee’s information in the DOL Smart Benefits database OCFO will review the internal Transit Policy to determine if the “removal policy” is still needed with the newly implemented process.

B. Employees did not submit applications annually.

Concur – For the audit period covered January 1, 2008, through July 31, 2008, the DOL national office did not have a program in place for DOL national office employees to reapply annually for transit subsidy benefits as required by the DOL transit subsidy benefit policy guide.

Action – In August 2008, OCFO implemented the annual transit subsidy reapplication program requiring all DOL national office employees to reapply for transit subsidy benefits. The DOL national office reapplication program is set up to operate throughout the year with one or multiple agencies requested to reapply for transit subsidy benefits each month. This reapplication program is ongoing with employees in eight DOL national office agencies having completed the reapplication process as of March 2009.

C. OCFO did not perform automated edit checks to prevent overpavments

Non-Concur – OCFO is not aware of any documented requirement to support the OIG finding for the TSBC to perform automated edit checks within the transit subsidy benefit program. The Smart Benefits program software is owned by WMATA, not the DOL. WMATA’s software does not have an automated edit feature to check for employees with multiple SmarTrip cards in the Smart Benefits database. OIG audit staff cannot hold OCFO responsible for performing automated edit checks using an automated system for which OCFO has no ownership of or

control over the functionality or internal control programs of the system. Our preliminary research of this finding showed that a number of the names OIG audit staff identified as duplicate employees were actually separate individuals with the same name.

Action – WMATA had one enhancement to their system since its inception that OCFO has adopted. In the past when adding a new card, OCFO had to manually remove the old card from the WMATA database. We are now using the enhanced feature in the WMATA database to reassign a benefit from one card to another card in the system, which automatically removes the old card. We maintain a log of actions in the Smart Benefits system. Furthermore, OCFO contacted our WMATA Smart Benefits representative in March 2009 requesting information on smart benefit automated edit checks. We received a response stating that the smart benefit program does not contain an edit feature to match multiple SmarTrip cards to the same person.

D. **OCFO did not account for blank SmarTrip cards.**

Non-Concur – OCFO ordered 2,000 \$5 SmarTrip cards from WMATA in November 2007. The SmarTrip cards were delivered to OCFO by the DOL WMATA representative. The accounting supervisor performed an inventory and count of the SmarTrip cards upon delivery and verified that 2,000 SmarTrip cards were received. Physical control of SmarTrip cards has been maintained in a secure environment in a locked cabinet in the supervisor’s work area with access limited to the accounting supervisor and the TSBC.

Action – OCFO will take action to record existing SmarTrip card inventory by serial number on a spreadsheet and perform an annual inventory and card count.

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